

Global commodity price slump sends ripples around the world

REUTERS, Tarkwa

In the boom times when the price of gold was soaring, Ebenezer Sam-Onuawonto had a dream job and a dollar salary many times the national average in this mining town in south-western Ghana.

When the price fell, he lost his job as human resources chief at a mining company that closed its local operations and could only find work in a construction firm in another city, far from the house he built in Tarkwa for his wife and six children.

"I hardly see my kids now," said Sam-Onuawonto, his life changed as a result of a slump in global commodity prices whose impact is being felt around the world on currencies, companies, consumers, national economies and - potentially - governments.

At one end of the wealth scale, the rout has affected huge companies such as Swiss-based trading and mining company Glencore, whose market value has shrunk in the past year. At the other end, it holds the key to the fate of entire

communities dependent on the raw materials they produce.

In Tarkwa, a town of 34,000, production of gold continues but several firms have stopped work or laid off staff in the last two years as the effects of the price slump trickled down.

One African bank has shut its Tarkwa branch, bars and hotels are emptier and the streets are less clogged with traffic as people struggle with new financial problems.

"Since the fall in the gold price, things have never been the same," said Yvonne Mensah, who has seen business wilt at the stationary shop she runs from a converted shipping container.

Ghana as a whole, once Africa's star economy, is suffering. Not only is gold its biggest source of foreign exchange but the price of oil, which it also produces, has sunk, it has double-digit inflation and the value of the cedi currency has declined.

There are similar tales of misfortune across the continent, with the impact felt on both the poor and the middle class.

The United Nations Conference on Trade and

Development (UNCTAD) says falling commodity prices threaten economic and political stability in developing economies across Latin America, Africa, the Middle East and Asia.

The events are seen by some experts as signalling the end of a commodity "super-cycle" in which prices surged following the rapid industrialisation of China after it opened up in the 1980s.

Countries and companies made huge investments in commodities while prices were still high in almost all energy and raw material markets, but this resulted in oversupply when economies stalled in what had been booming markets.

Many producer countries are paying the price for failing to predict the end of the cycle and not reducing their dependence on commodities.

The most important factor in the price slump is seen as the economic slowdown and drop in demand in China, though downturns in Indonesia, Malaysia and developed economies such as Japan and South Korea have also contributed to the situation.



Habibur Rahman Sarker, chairman of Brothers Furniture, opens an outlet of the furniture maker in Rangpur. Ruhul Amin, assistant manager for marketing and sales, was also present.

Transit services not for free: Tofail

FROM PAGE B1

Asked whether Bangladesh's infrastructure such as roads and ports are ready to provide such large-scale transit facility, the minister said: "We have made much progress in preparing our infrastructure, and whatever work that needs to be done is advancing fast."

The World Bank has also expressed an interest in providing assistance in this regard, he said.

Ahmed said discussions are ongoing among the four countries to fix the fee structure for transit facilities.

During his visit, the commerce minister met with his Indian counterpart Nirmala Sitharaman at her office and discussed issues of mutual interest.

At the meeting, he asked the Indian government to expedite the construction of roads on the Indian side in order to reap the benefits of the increased regional connectivity.

He also discussed the tariff and non-tariff barriers for exports to India from Bangladesh.

While India provides duty-free access to all goods from Bangladesh save for two items, the goods are still subjected to countervailing duties upwards of 12 percent in the neighbouring country.

Plus, different Indian states impose

another layer of duty on Bangladeshi goods.

There are non-tariff barriers too. For instance, India imposed a condition on its jute importers last month that made purchases of the fibre from Bangladesh cumbersome.

India revoked the licences of its jute importers and asked them to register afresh. The traders to whom they sell the jute and jute products and the end users will also have to register their units.

The importers have to apply for a no-objection certificate for every consignment, and when applying they have to provide details of the buyer of the imported consignments.

Ahmed raised the issues to Sitharaman and she has promised to solve them.

About the initiative of the CII, Ahmed said it will help identify the problems that are getting in the way of trade and investment between the Saarc countries.

About 1.6 billion people live in the region but the trade and investment are nowhere near the potential. There is huge scope for increasing trade and investment among the Saarc countries, he added.

The three-day forum was attended by ministers, political leaders, high officials, academicians, journalists and businesspeople from all the countries of the region.



Md Ridwanul Hoque, head of retail distribution for Midland Bank, and Afra Ilham Binyta, sales and marketing manager of Sayeman Beach Resort, pose with the documents of a memorandum signed at the bank's head office in Dhaka. The bank's Visa cardholders will enjoy year-long discounts on accommodation, venue services and dining at the hotel in Cox's Bazar.

German new car sales up

AFP, Frankfurt

New car registrations in Germany, a key measure of demand in one of the most important sectors of Europe's top economy, rose in September, data showed Friday, amid fears the Volkswagen pollution-cheating scandal could weigh on sales in the sector.

A total of 272,500 new cars were registered last month, an increase of five percent compared with the figure for the same month last year, according to data compiled by the automakers' federation VDA.

The number of new registrations of diesel-powered cars increased by eight percent in September, VDA added.

Big banks face suits for alleged US bonds rigging

AFP, New York

More than 20 lawsuits have been filed in the United States accusing large banks of rigging the US Treasury bond market in a similar fashion to other recent collusion cases.

Plaintiffs charge that large banks collaborated to depress the price of bonds in the \$12.7 trillion US Treasury market when they were offered by the US government and then sold the bonds at a higher price in the secondary market.

The alleged conspiracy by the banks, who are designated by the US Treasury Department as "primary dealers" in bond auctions, lifted the government's cost of issuing bonds by increasing yields.

In a suit filed in August, the Cleveland Bakers and Teamsters Pension Fund and other plaintiffs that bought bonds point to quantitative analysis of bond transactions between 2007 and 2015 in the primary and secondary bond market.

"Instead of competing with each other at arms' length, the Defendants... conspired artificially to drive up the yield of Treasuries (and correspondingly to drive down the prices of those Treasuries)," the complaint said.

"Defendants then turned around and sold the Treasuries at higher prices (and correspondingly lower yields) in the secondary market, reaping substantial profits."

The data showed yields in the primary market were "inflated" in 69 percent of auctions, according to the complaint.

"This repeated bias cannot be explained as a result of random chance; instead the only plausible explanation is that Defendants coordinated artificially."

Malaysia hopes to boost social enterprise to make society "more equitable"

REUTERS, Malaysia

Until they started to build micro-hydro dams, many of the indigenous people living in remote rainforests of Malaysia's Sabah state did not have access to electricity, forcing them to resort to costly ways of generating power through diesel generators.

With the help of social enterprise Tonibung they learned how to build, repair and maintain the dams, a small-scale version of the big hydroelectric dams that help power large cities.

Tonibung's work is one example of how Malaysia's nascent social enterprise sector is working to address social and environmental issues, said Ehon Chan, head of social enterprise at the Malaysian Global Innovation and Creativity Centre (MaGIC).

Malaysia's rapid economic growth has reduced poverty rates but social challenges remain in Southeast Asia's third largest economy, providing opportunities for social enterprises to tackle unequal access to education, environmental sustainability, rural development and poverty, said Chan.

"There is a lot of scope for social

entrepreneurs in Malaysia to work among marginalised communities or on environmental issues to make our society more equitable," Chan told the Thomson Reuters Foundation at MaGIC's headquarters.

As other examples, he cited Epic Homes which works with indigenous communities by building easy-to-assemble houses for the Orang Asli people and ARUS Academy which provides students from low-income groups with computer and coding skills.

As public funds around the world come under increasing pressure from shrinking economic growth, governments have become more aware of the potential of social enterprise to promote a more equitable and sustainable society.

In Britain, for example, the government has invested heavily into the sector and there are now more than 70,000 social enterprises, employing more than 1 million people.

Malaysia is hoping to tap into this growing sector, loosely defined as businesses that aim to address social and environmental problems while

making a profit.

Prime Minister Najib Razak in May announced a plan to grow the sector by allocating 20 million ringgit (\$4.5 million) to MaGIC to increase the number of social enterprises to 1,000 by 2018 from around just over 100.

Compared to its neighbour Thailand, Malaysia is still in the early stages of building up its social enterprise sector.

Thailand now has some 120,000 social enterprises, helped by government through the creation in 2010 of the Thailand Social Enterprise Office, which provides support and advice.

MaGIC aims to fill the gap in Malaysia by providing training in setting up a business, how to access funding and networking opportunities, along with competitions and outreach.

"It's a very vibrant sector. Lots of young entrepreneurs are keen to start a social enterprise," said Chan.

MaGIC last year introduced its annual Amplify Awards, a prize aimed at allowing social enterprises to expand their operations and boost their impact.

Sliding yarn prices worry spinners

FROM PAGE B1

If the cotton prices decline further, the yarn prices will also go down in the domestic market, said Razeed Haider, managing director of Outpace Spinning Mills.

At the same time, cost of production has been increasing in the spinning sub-sector.

The latest hike in the prices of gas and power is another blow to the spinners, said Haider, who is also a director of Bangladesh Textile Mills Association.

Recently, a lot of Indian and Chinese companies have opened offices in Bangladesh for selling yarn to local knitters and weavers. "So, we have fierce competition," Haider added.

Moreover, the government said recently that it will not allow installation of captive power generators in spinning mills to save gas consumption.

As a result, the spinners will have to purchase power from companies at higher prices.

The government should reduce the price of power for survival of the primary textile sector, said Abdul Hai Sarker,

chairman of Purbani Group and a former BTMA president.

The use of multi-blend yarn in the global fashion industry is also responsible for the fall in prices of cotton.

During the volatility in cotton prices in 2010 and 2011, fashion designers switched to other fibres to reduce the price burden.

Moreover, yarn consumption declined in the domestic market as many factories cannot produce in full scale due to implementation of the corrective action plans suggested by two foreign inspection agencies -- Accord and Alliance.

But, Momin Mondol, managing director of Mondol Group, said the yarn prices are stable now.

"The prices of yarn are balanced now," said Mondol, whose mills consume 1,600 tonnes of yarn a month and exports \$250 million worth of garment items a year. "My target is to export \$300 million worth of garment items this year. The favourable yarn prices will help me achieve the target," he said.



AKM Saifuddin Ahmed, deputy managing director of Jamuna Bank; Md Abdul Khaleque, headmaster of Government Laboratory High School; and Shahadat Khan, chief executive of Progoti Systems, pose at the signing ceremony of an agreement yesterday. Students of the school can pay tuition and other charges through the bank's SureCash service.